

#### **Oversight Report**

The Speaker has lead the oversight process for the 2012/13 financial year, which complies with the MFMA and NT guidance with an Oversight Committee. The oversight report is scheduled to be adopted on 31 March 2014.

#### **In-Year Reporting**

The municipality submits the various reports required in accordance with the MFMA to the Executive Mayor, Council, and National Treasury on an on-going basis

#### **Supply Chain Management Policy (SCM)**

A Supply Chain Management Policy has been adopted and implemented in accordance with the MFMA and National Treasury guidelines. All the required committee structures are in place and are functioning. Whilst the municipality is working at making these new processes operate more efficiently and effectively, it is considered that the municipality is currently complying with the MFMA and NT guidelines.

#### **Budget and Treasury**

A Budget and Treasury Office has been established in accordance with the MFMA and NT requirements, consisting of a CFO and municipal officials reporting to the CFO.

#### **1.4 BUDGET PROCESS OVERVIEW**

The Budget process started in August 2013 after the approval of a timetable and strategy to guide the preparation of the 2014/15 to 2016/17 operating and capital budgets.

The timetable provided broad timeframes for the IDP and Budget preparation process. It allows for consultation with stakeholders, such as the elected public representatives, ward committees, the community, state departments, the district municipality, business and labour, during March/ April&May 2014.

The consultation will take the form of a series of public meetings in the various wards under the direction and leadership of the Mayor and the Mayoral Committee. After taking into account the inputs of the aforementioned consultations, the Mayor will table the IDP and Budget for final approval at a council meeting to be held on 30 May 2014.

The Service Delivery and Budget Implementation Plan is the mechanism that ensures that the IDP and the Budget is aligned.

## 1.5 ALIGNMENT OF BUDGET WITH IDP

The Integrated Development Plan (IDP) determines and prioritises the needs of the community. All the plans for Sunday's River Valley municipality form the basis of the 5 year IDP and are particularly strong on integration consultation and public participation. The plan provides a comprehensive Spatial Development Framework which sets a basis for integrated implementation in a system approach

The 2014/15 to 2016/17 Operating and Capital Budgets were prepared in accordance with the IDP. The key strategic focus areas of the IDP are as follows:

- Service delivery under conditions of good governance
- Financial planning and Viability
- Institutional Development and Transformation
- Local Economic Development
- Good governance and public participation

The abovementioned strategic focus areas informed the preparation of the Budget.

After the tabling of the budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives. The feedback flowing from these meetings will be referred to the relevant departments for their attention.

Below is a table, which illustrates the link between the Budget and the IDP.

## **1.6 BUDGET RELATED POLICIES.**

The budget has been prepared on the basis of Circular 72 of the MFMA. The following policies have been reviewed as they have an impact on the development of the budget.

1. Tariff Policy
2. Rates Policy
3. Budget Policy

## **1.7 BUDGET STRATEGY & ASSUMPTIONS**

### **Budget Strategy**

The following guidelines were used to compile the 2014/15 to 2016/17 Operating and Capital budgets:

(a) That the annual increases for the 2014/15 to 2016/17 draft Operating Budget be limited to the following and be reviewed during the process, if considered necessary:

- o The overall increase in operating expenditure is based on the projected CPIX of 6, 2%.
- o The overall increase in employee related costs be aligned to finalized agreement by the SALGBC at 6,8% and make provision for critical posts to address service delivery targets
- o Repairs and Maintenance expenditure is limited to 8% and increase allocations as a priority, the plant and machinery that we have, to be fully utilised in terms of repairs of roads.
- o Rates and tariff escalations be limited to 6%

### **Budget assumptions**

Budget assumptions/parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The following principles and guidelines directly informed the compilation of the Budget:

- The priorities and targets in relation to the key strategic focus areas as determined in the IDP.
- The level of property rates and tariff increases to take into account the need to address maintenance and infrastructural backlog, including the expansion of services.
- An assessment of the relative capacity to implement the Budget.
- No budget allocation has been made to programmes and projects, unless the respective programme and project plans have been submitted by the relevant Directors.
- The need to enhance the municipality's revenue base.

The multi-year budget is therefore underpinned by the following assumption

## **UMASIPALATI SUNDAYS RIVER VALLEY MUNICIPALITY**

### **1.8 FUNDING OF THE BUDGET**

The budget is funded from two major sources:

- Realistic expected revenue from operations (Property rates and service charges)
- Grants and subsidies (cash backed allocations from government)

#### **Fiscal Overview**

##### **1.8.1 2012/13 Actual and 2013/14 Projected Financial Performance**

The municipality's financial performance and position is gradually improving for the following reasons:

- Budgets are being funded from the current financial year's revenues
- The municipality operates within its annual budget, as approved by Council.
- Improved revenue collection rates being achieved.

##### **1.8.1.1 Operating Budget**

In the 2012/13 financial year the municipality achieved as collection rate of less than 50% on the revenue billed in the year. This has to be maintained in the 2014/15 financial period, with still some challenges from household revenue collections. The municipality has since appointed a Debt collector to assist in the collection of its funds and I can agree within the small space of time an improvement has been shown.

##### **1.8.1.2**

#### **On-going issues requiring monitoring and evaluation**

The municipality is closely monitoring certain issues that could have a significant financial impact on future budgets. If one or more of them require substantial resources beyond what is included in the mid -term budget, the municipality will have to adjust its spending plans to maintain its financial position. Many of the items listed below could have major and permanent impacts on the operating budget, and would therefore require permanent

# **UMASIPALATI SUNDAYS RIVER VALLEY**

## **SUNDAYS RIVER VALLEY MUNICIPALITY**

increases in revenue, or reductions in other services. Consequently, they should be carefully monitored and evaluated:

- Maintenance backlog in roads, electricity and municipal properties
- Staffing requirements and the impact on the personnel expenditure target;
- Acceptance and implementation of funded mandates; e.g. Disaster management and Library Services;
- Improving on current collection rates especially household debt

In the last financial year Auditor general emphasised on the inclusion of non-cash items on the budget so as to avoid unauthorised Expenditure. These are the items like, Provision for bad debts, rates rebate and Impairment of assets (Depreciation).

### **1.9 BUDGET SUMMARY**

The aim of the Budget Summary is to 'provide a concise overview of the proposed budget from all of the major financial perspectives (operating expenditure, capital expenditure, financial position and cash flow, and MFMA funding compliance).

The table provides a 'snapshot view' of the amounts to be approved by Council within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance.

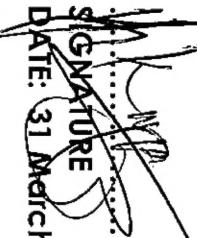
Taking the aforementioned budget strategy, assumptions and principles into consideration the 2014/15 to 2016/17 Budget was arrived at as follows: (see next page)

**UMASHPALATI SUNDAYS RIVER VALLEY  
SUNDAYS RIVER VALLEY MUNICIPALITY**

**QUALITY CERTIFICATE**

I, Lonwabo Ngoqo, Municipal Manager of Sundays River Valley municipality, hereby certify that the draft budget 2014/15 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

L.M.R. NGOQO  
MUNICIPAL MANAGER OF SUNDAYS RIVER VALLEY MUNICIPALITY – EC106

  
SIGNATURE  
DATE: 31 March 2014



**SUNDAYS RIVER VALLEY MUNICIPALITY**  
**TARIFF STRUCTURE**

**FOR 2014/2015 FINANCIAL YEAR**

PROPOSED TARIFF STRUCTURE FOR 2014/15		APPROVED TARIFFS	Approved TARIFFS	PROPOSED TARIFFS	PROPOSED TARIFFS
		2012/2013	2013/14	2014/15	2015/16
<b>1. WATER</b>					
Metered Water (rising block)					
0 to 6 kl free (free basic service and Indigent subsidy)		5.53	5.98	6.35	6.86
7 to 15 kl		6.49	7.01	7.44	8.04
16 to 25 kl		6.91	7.46	7.92	8.56
25 to 40 kl		7.63	8.24	8.75	9.45
41kl and greater				0.00	0.00
41 to 55kl				8.23	8.89
56 to 70 kl				8.50	9.18
70 to ....KL				8.72	9.42
Water Sport fields per KL				3.47	3.74
Unmetered Water (Standpipe)				3.47	3.98
Water availability Charge Monthly				34.66	37.44
Water availability Charge Annually				23.46	25.33
Prepaid Meters per KL				281.47	303.99
Prepaid Meter water...				FBS	FBS
7 to 15 kl				6.49	7.01
16 to 25 kl				6.91	7.46
25 to 40 kl				7.63	8.24
41 kl and greater				8.23	8.89
41 to 55kl				8.50	9.18
56 to 70 kl				8.72	9.42
70 to ....KL					10.00
All households receive 6 KL water free per month as part of FBS					10.80
<b>Municipal Water Consumption</b>					
0 to 6 kl free (free basic service and Indigent subsidy)		5.53	5.98	6.35	6.86
7 to 15 kl		6.49	7.01	7.44	8.04
16 to 25 kl		6.91	7.46	7.92	8.56
25 to 40 kl		6.97	7.53	8.00	8.64
41kl and greater					9.33
41 to 55kl				7.18	7.75
56 to 70 kl				7.28	7.86
70 to ....KL				7.34	7.92
Water Credit for maintaining grass on pavements				37.85	40.88
M/Mabida Water Availability and 8 KL consumption				0.00	0.00
Prepaid Meters basic charge plus Kl-4%				0.00	0.00
Minimum purchase for prepaid				15.00	15.00
Optional availability charge on prepaid purchases (%)				0.23	0.25
Water Deposit				455.62	492.07
Default advance payment (three time average consumption)				522.58	564.38
Reconnection fee				516.00	619.20
Disconnection fee				516.00	619.20
Illegal connection fine				2,508.00	3,009.60
New connection Contractors fee + 20%				full cost	full cost
					#VALUE!
<b>2. IRRIGATION - WATER</b>					
Basic Charge - built up erven				439.05	474.18
Basic Charge - not built up erven				1877.53	2027.73
<b>3. SANITATION</b>					
Sanitation per month				36.63	39.56
suction services - Aquam/MM park- per load				57.77	62.39
vip-tanker (per load )-PATERSON				115.54	124.78
					0.00



up to 50 kwh	0.68	0.82	0.88	1.05	1.26
51 - 350 kwh	0.77	0.92	0.99	1.19	1.43
351 - 600 kwh	1.03	1.24	1.33	1.60	1.92
> 600 kwh	1.09	1.31	1.40	1.68	2.02
Indigent households receives first 50 kwh free					
<b>Electricity usage tower</b>	<b>133.66</b>	<b>160.39</b>	<b>172.24</b>	<b>206.69</b>	<b>248.03</b>
<b>ELECTRICITY BUSINESS, COMMERCIAL, INDUSTRIAL</b>					
<b>Conventional Meter</b>					
up to 300 Kwh	1.07	1.28	1.38	1.65	1.79
300Kwh to 700 Kwh	1.14	1.37	1.47	1.76	1.90
In excess of 700 Kwh	1.20	1.44	1.55	1.86	2.00
<b>Pre paid - Business</b>					
up to 300 Kwh	1.07	1.28	1.38	1.65	1.79
300kwh to 700 Kwh	1.14	1.37	1.47	1.76	1.90
In excess of 700 Kwh	1.20	1.44	1.55	1.86	2.00
Electricity KVA Consumption 150 KVA	220.54	264.64	284.20	341.04	368.32
Electricity KVA Consumption 264 KVA	220.54	264.64	284.20	341.04	368.32
Electricity KVA Consumption STD KVA	220.54	264.64	284.20	341.04	368.32
Electricity KVA Consumption 1100 KVA	220.54	264.64	284.20	341.04	368.32
Electricity KVA Consumption 500 KVA	220.54	264.64	284.20	341.04	368.32
Electricity KVA Consumption 315 KVA	220.54	264.64	284.20	341.04	368.32
Electricity KVA Consumption	220.54	264.64	284.20	341.04	368.32
<b>ELECTRICITY MUNICIPAL 444</b>					
up to 300 Kwh	0.62	0.74	0.80	0.96	1.03
300Kwh to 700 Kwh	0.69	0.83	0.89	1.06	1.15
In excess of 700 Kwh	0.91	1.09	1.18	1.41	1.52
Service Charge					
<b>ELECTRICITY MUNICIPAL 446</b>					
up to 300 Kwh	1.07	1.28	1.38	1.65	1.79
300Kwh to 700 Kwh	1.14	1.36	1.46	1.76	1.90
In excess of 700 Kwh	1.20	1.44	1.55	1.86	2.01
Service Charge					
Electricity Municipal Service Charge1 458	19.64	23.57	25.31	30.38	32.81
Electricity Municipal Service Charge2 459	6.30	7.55	8.11	9.73	10.52
Per unit					
Service Charge	98.18	117.81	126.52	151.82	164.06
Electricity Street Lights 434	0.22	0.26	0.28	0.34	0.36
<b>Electricity Deposit</b>					
Household	1029.17	1235.00	1326.27	1591.52	1719.80
Business	2004.87	2405.84	2883.63	3100.36	3350.25
Default advance payment (three time average consumption)					0.00
Reconnection Fee	509.38	707.26	759.52	911.43	984.89
Disconnection fee	509.38	707.26	759.52	911.43	984.89
Illegal connection	2889.12	3466.94	3723.15	4467.78	4827.88
With installation of prepaid meter					
Large Consumer Deposits (three time average consumption)	full cost				
New connection Contractors fee + 20%					
<b>TARIFF FOR BULK CONSUMERS (ON APPLICATION)</b>					
KWH CHARGE HIGH SEASON - JUNE - AUG	0.83	1.02	1.10	1.32	1.43
KWH CHARGE LOW SEASON - SEPT - MAY	0.43	0.54	0.58	0.70	0.76
KVA CHARGE HIGH SEASON - JUNE - AUG	257.99	309.58	334.54	401.44	433.80
KVA CHARGE LOW SEASON - SEPT - MAY	156.42	187.70	202.83	243.40	263.02
NET INVOICE ALLEGED KVA (MAXIMUM UNMANAGED USE)	10.32	12.38	13.38	16.06	17.35
APPROVED BY SRVM					
<b>8. CEMETERY</b>					
Cost of Site-other areas	114.10	123.20	142.84	159.67	172.44
Booking	15.95	17.20	20.64	22.29	24.08
Pilot Town (Kirkwood, Paterson) Urban	251.05	271.10	295.31	351.34	379.45
Digging of 1,82 meter grave Cost R 271.00	399.40	431.35	517.62	559.03	603.76



A3	1.40	1.50	2.43	2.58	2.79
A4 colour	5.00	5.40	8.75	9.22	9.96
A3 colour	7.00	7.55	12.23	12.89	13.92
<b>16 Recoverable Jobs</b>					
Deposit as estimated for the full service					
ad hoc	ad hoc	ad hoc	ad hoc	ad hoc	ad hoc
<b>17 Building Plans</b>					
1. Advertisement - Town Planning Submissions Vat incl.					
2. Advertisements - Town Planning Submissions Vat incl.					
Advertisement Government Gazette					
Administration fee - basic -all types					
A0	34.00	36.00	38.23	36.00	38.88
<b>Black and White</b>					
A4	20.55	22.20	23.57	25.44	27.45
A3	4.00	4.30	4.57	4.92	5.29
A2	57.05	61.60	65.41	70.63	76.26
A1	74.20	80.15	85.12	91.91	99.25
A0	91.30	98.60	104.71	113.07	122.10
<b>Colour</b>					
A4	45.65	49.30	52.36	56.53	61.03
A3	97.00	104.75	111.25	120.13	129.72
A2	165.45	178.70	189.78	204.94	221.32
A1	182.60	197.20	209.43	226.16	244.24
A0	205.40	221.85	235.61	254.44	274.77
<b>18 Grazing Camp Fees</b>					
19 Land Sales	Policy	Policy	Policy	Policy	Policy
20 Tender Documents	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc	Ad Hoc
21 Advertising/ posters: deposit					
Fine Illegal advertising	228.90	247.20	262.33	283.55	306.25
Fine Not removing posters	283.55	2466.25	2619.16	2828.71	3055.03
283.55	2466.25	2619.16	2828.71	3055.03	
22 Sport field rentals	114.45	123.60	131.26	141.78	153.14
22 Rezoning Application	1542.35	1665.75	1769.02	1910.54	2063.37
23 Indigent support:					
Income 0-11.00	100% subsidy on Rates, Refuse, Water Avail, Sewer				
Income 11.00-22.00	50 % subsidy on Rates, Refuse, WA & Sewer				
All tariffs are excluding VAT					



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SUNDAYS RIVER VALLEY MUNICIPALITY



DRAFT MTREF BUDGET FOR 2014/15 FINANCIAL YEAR

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## SUNDAY'S RIVER VALLEY LOCAL MAYORS BUDGET SPEECH

Honourable Speaker  
Executive members  
Councillors  
Traditional Leaders  
Council of Churches  
Community at Large  
Officials

I greet you all in the name of service delivery.

The functions of the Council centres around promoting the interests of its ratepayers, employees residents and customers by striving to render the highest quality of services, advancing the interests of its employees by providing safe, secure and satisfying working environments.

A further important challenge facing Council is to improve the financial position of Sunday's River Valley Local Municipality. In particular an improvement in the collection of long outstanding debtor's balances is critical if the Council is to achieve its goals. The unfortunate part is that the unemployment rate in the area has worsened causing many residents not to be able to pay for services. Our ability to render services will be threatened in our financial status and we hope that workable solutions will be found soon.

As we strive towards impacting rural livelihood for the better in local Municipality of Sunday's River Valley, amongst the compliance issues is the submission of the MTREF budget as prescribed in section 126 of the Local Government: Municipal Finance Management Act 56 of 2003.

I therefore submit 2014/15 Draft Budget. The Council remains committed in improving its service delivery even though our budget is limited as the municipality is solely depending on grants and hoping to meet the challenges it faces and hopefully in future years, I will be able to report positively on the progress we have made in this regard.

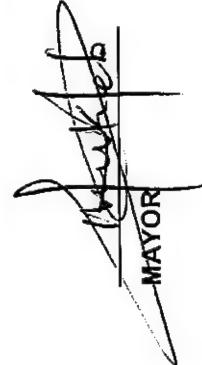
Following are the major activities that the municipality will be engaged in, in the 2014/2015 financial year.

- Installation of High must lights.
- Ensure the construction of roads.
- Alleviation of poverty through Free Basic Services to the Indigent communities.
- LED projects.
- EPWP projects.

The following projects are being implemented in phases they have already been started in the 2012/13 and 2013/14 financial year, but they will also continue in 2014/15 financial year.

- Pateson Bulk Water
- Paterson waste treatment
- Valencia Road and storm water
- Highmust lights
- Sportfields
- Renovation of parks and playing grounds
- Ceasor Dam Water treatment works
- Addo water treatment works

In conclusion I would like to ensure our community that though the budget is limited but Sunday's River Valley municipality will remain committed in improving its service delivery. I also would like to express my appreciation to my fellow Council members, the Municipal Manager, The Chief Financial Officer and all other staff for their support, cooperation and hard work during the preparation of the budget as well as IDP.



The signature is handwritten in black ink and appears to read "MAYOR". It is positioned below a horizontal line and above the word "MAYOR".

Date :

**COUNCIL RESOLUTION**

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the draft budget of the Sundays River Valley municipality for the financial year 2014/15; and indicative allocations for the two projected outer years 2015/16 and 2016/17; and the multi-year and single year capital appropriations are approved as set-out in the following tables:

- 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
  - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
  - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
  - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:
  - 2.1. Budgeted Financial Position;
  - 2.2. Budgeted Cash Flows;
  - 2.3. Cash backed reserves and accumulated surplus reconciliation;
  - 2.4. Asset management; and
  - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in annexure A, that were used to prepare the estimates of revenue by source, are approved with effect from 1 July 2014.
4. That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act 56 of 2003, the amendments to the integrated development plan , is approved
5. That the draft budget be approved subject to the proposals made by the Mayor to be considered in the final budget.

## **1. THE BUDGET 2014-2015 TO 2016-2017**

This section contains an Executive Summary of the Sunday's River Valley Local Municipality's Budget followed by a more detailed explanation of its Operating and Capital components over the next three years.

### **1.1 EXECUTIVE SUMMARY**

#### **The Budget Process**

The 2014/15 to 2016/17 Budget preparation commenced in August 2013 after Council approved a timetable for the IDP and Budget preparation process.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (MFMA). Sections 1.8 and 1.9, present an overview of the Operating and Capital Budgets respectively, with high level tables, which provide an overall picture of the Municipality's finances.

One of the objectives of the budget timetable is to ensure integration between the development of the Integrated Development Plan (IDP) and the Budget. The IDP is the strategic plan of the Municipality and it is critical that the Budget enables the achievement of the IDP objectives. Table 1 illustrates the link between the IDP and Budget.

#### **Assumptions**

The assumptions and principles applied in the development of this Budget are based upon guidelines received from National and Provincial Treasury, regulatory institutions such as the National Electricity Regulator of South Africa (NERSA), the South African Local Government Bargaining Council SALGA and Circular No 66.

The IDPs strategic focus areas informed the development of the Budget, in addition to assessing the relative capacity to implement the Budget, taking affordability considerations into account. The aforementioned guidelines were considered appropriate to inform the development of the Budget.

#### **Annual Budget**

The Total Budget totals R 147 438 million, which funds the continued provision of services provided by the Municipality.

The municipality's own revenue base is very limited. The growth in the property market is stunted as a large proportion of the municipal area is rural, with very limited infrastructure that is ageing and dilapidating. Our current operating budget cannot handle the need to address infrastructure maintenance and backlogs. This requires substantial cash resources. The presidential intervention is the current solution at this point. In relation to staffing requirements, budget provisions are set aside on an annual basis, in order to fill vacant positions critical to service

delivery. The 2014/15 Budget has provisions repairing plant and machinery; this fleet will be operational and will assist in improving infrastructure maintenance.

#### **Free Basic Services**

The municipality is currently working with Cacadu DM and Co-ops in terms of improving its Indigent register updates and Management of Indigent. Currently the municipality provides and has budgeted for the following benefits to registered indigent households:

- Electricity: A subsidy of fifty (50) Kilowatts of electricity per property per month to registered households will apply.

- Refuse Removal: A subsidy, not more than the applicable tariff for the 2014/15 financial year, will be applied for the duration of the financial year.
- Sanitation: A subsidy, not more than the applicable tariff for the 2014/15 financial year, will be applied for the duration of the financial year.
- Water: A subsidy of 6 Kiloliters of water per property per month to registered households will apply.

#### **Capital Budget**

The Capital Budget totals R26 million and this is funded mainly through revenue from operations (5%), Government grants (95%). Grants and subsidies are mainly the municipal infrastructure grant.

### **1.2 HIGH LEVEL PERFORMANCE OBJECTIVES FOR 2014/15**

The more significant performance objectives, which informed the preparation of the Budget, will be included as part of the final budget submission.

### **1.3 MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) AND RELATED LEGISLATIONS**

Below are the legislative requirements that guide the budget preparation process:

#### Municipal Structures Act

The Municipal Structures Act (No. 117 of 1998) as amended, under section 56: Functions and Powers of Executive Mayor, states that the Executive Mayor shall-

- "(a) identify the needs of the municipality;
- (b) Review and evaluate those needs in order of priority;
- (c) recommend to the municipal Council strategies, programmes and services to address priority needs through the integrated development plan and estimates of revenue and expenditure, taking into account any applicable national and provincial development plans; and

(d) Recommend or determine the best methods, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community."

Legislation also requires municipalities to compile operating and capital budgets on an annual basis. The operating and capital budgets must balance (i.e. may not reflect a deficit) and must be prepared in accordance with the integrated development plan.

#### Municipal Finance Management Act

Section 16 (2) of the Municipal Finance Management Act No. 56 of 2003, (MFMA) dealing with legislative compliance regarding the tabling of the annual budget states inter alia that:

".., the Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

Section 21(1) of the MFMA, which deals with the Budget preparation process, stipulates that the Executive Mayor must-

"(a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;

(b) at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for-

(i) the preparation, tabling and approval of the annual budget;

(ii) the annual review of-

(aa) the integrated development plan in terms of Section 34 of the Municipal Systems Act;  
and  
(bb) the budget related policies

(iii) The tabling and adoption of any amendments to the integrated development plan and the budget related policies; and

(iv) Any consultative processes forming part of the processes referred to in sub-paragraphs (i), (ii) and (iii).

The approval of the Budget is regulated by Section 24 of the MFMA, which states as follows-

- (1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget;

- (2) An annual budget-

- (a) must be approved before the start of the budget year;
  - (b) must be approved together with the adoption by the council of the resolutions as may be necessary for:
    - (i) imposing any municipal tax for the budget year;
    - (ii) setting any municipal tariffs for the budget year;
    - (iii) approving measurable performance objectives for each vote in the budget;
    - (iv) approving any changes to the municipality's integrated development plan; and approving any changes to the municipality's budget-related policies."

Below a discussion of the Municipality's progress relating to the implementation of the MFMA.

#### Implementation of the MFMA

The municipality has been implementing the provisions of the MFMA in accordance with a documented Implementation Plan. The municipality monitors its implementation status on an ongoing basis through reporting via its Committees, including the following:

- The Municipal Manager's Management Team includes all section 57 managers, which meets monthly and attends to MFMA issues requiring attention.
- The Finance and asset management committee – a standing committee of the Council, which meets monthly. The committee considers specific MFMA implementation issues and reports via the Mayoral Committee to Council.
- Meetings between the Municipal Manager, CFO and section 57 managers to discuss MFMA implementation issues, as and when necessary. Issues requiring attention are monitored so that actions are taken to ensure compliance.

The following reflects the status of implementation of some of the key MFMA areas:

The IDP review process is in progress and a draft 2014/15 IDP has been developed. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

### **Budget**

The annual budget document has been developed taking the MFMA and National Treasury requirements into account. Budgets are being tabled and approved within the required legislated timeframes.

### **Budget Reporting Formats**

As part of its budget reforms, National Treasury released a budget formats guide. This budget formats guide has been imposed through Budget and Reporting Regulations, which specifies the required tables to be published with the municipality's budget document.

The objectives of the budget formats reforms are as follows:

- To ensure that municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
- To improve the local government spheres' ability to deliver basic services by –
  - addressing issues of financial sustainability; and
  - Facilitating informed policy choices and medium term planning of service delivery.
- To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy, and reliability of budgets and in-year reports of municipalities and municipal entities.

A description of the purpose and relevance of each budget table is provided further in this report.

### **SDBIP**

The 2014/15 draft SDBIP document will be developed, taking into account the MFMA and National Treasury requirements. This document contains the specific performance measures relating to the IDP objectives, which are incorporated into the Budget. The content of the SDBIP is reflected in the Municipal Manager and the section 57 manager's performance contracts.

### **Annual Report**

The Annual Report has been developed taking the MFMA and NT requirements into account. The 2012/13 Annual Report was tabled to the Council. The 2012/13 annual financial statements had regressed as the municipality moved from a qualified opinion to a disclaimer on the financial statements.